May 27, 1959

Investor's Reader

For a better understanding of business news

OLIN MATHIESON COUNTS ON ALUMINUM ADVANCE (see page 28)

IN THE SWIM

This shapely bather perched at a stylish National Pool Equipment Company swimming hole advertises the tidal wave-like growth of this young industry (IR, May 30, 1956). The US pool population geysered from less than 10,000 units in 1946 to 56,000 in 1955 to 160,000 last year. Dollar sales have roared from $60,000,000 in 1950 to $200,000,000 in 1955 to $600,000,000 last year. Poolmen optimistically count on a billion dollar year in 1960 as the pool total splashes to 330,000; another survey boasts "as many pools will be installed in the next five years as were completed in the past 50."

Of the total investment, roughly three-fifths goes to local contractors for excavation, plumbing and electrical work, etc. The rest goes for the pool components proper as well as scores of desirable accessories from diving boards to leaf skimmers.

Among the biggest fish in the teeming industry are Esther Williams-sponsored International Swimming Pool Corp which specializes in plastic-lined pools, hopes to double last year's $12,000,000 volume in 1959; Paddock of California (strategically located in a state with over 70,000 pools) which reported $8,000,000 sales last year; and National Pool Equipment of Florence, Ala which since its 1954 birth has boosted volume seven-fold to last year's $3,000,000. Its business is about evenly divided between commercial installations (motels, municipal, schools, new swim clubs, etc) and residential pools.

Nowadays a small 12x24-foot pool can be put in for $2,500, making a pool in the backyard as feasible as a second car in the driveway. And like the car, the pool can be bought on plenty of time. President Gordon William Rudd of National Pool Equipment triumphantly relates: "We can advertise a $3,000 pool with no down payment and terms which cost the owner $2 a day. Who could pass up something like that?"

Accepted as controlled circulation publication at Poughkeepsie, New York. INVESTOR'S READER published fortnightly. This issue dated May 27, 1959.

Investor's Reader

No 11, Vol 32 May 27, 1959

The Billion Dollar Seaway

Giant Waterway Opens 'Fourth Seacoast' but Some Sailing Stays Rough

ONE MONTH from yesterday the Queen of Canada (more often known as Elizabeth II of Britain) and the President of the United States will declare the $1 billion St Lawrence Seaway officially open. To the cheers of 5,000 invited guests and perhaps 75,000 amateur onlookers, the royal yacht *Britannia* will plow through a ribbon extending across the St Lambert lock near Montreal.

Actually the Seaway will already have been a busy waterway for nine weeks and an estimated 1,250 ships will have preceded the *Britannia* into the first lock. The unofficial inaugural came April 25 (slightly later than planned because of unusually heavy ice) when rugged ice-breakers *d'Iberville* and *Montcalm* led a 60-ship procession out of Montreal.

Five days later the 353-foot *Prins Johan Willem Friso* of the Dutch Fjell-Oranje Lines became the first Seaway freighter to dock in Chicago. Later the same day the Grace Line's 15,000-ton *Santa Regina* arrived to set up US flag service; May 11 the American Export Lines *Extavia* sailed in from Europe.

The early, shakedown days have served to highlight a number of problems. There were some jolts, bumps and dents as the big new-to-the-St Lawrence ships plied through tight channels and locks manned by new-to-big-ships crews. Congestion on the main Montreal-to-Lake Ontario passage eased after the initial flotilla was taken care of but some terrific traffic jams further up the Lakes suggest the probable need for further costly lock and channel improvements as well as more dock facilities (especially in Detroit). Some shippers and potential shippers grumble about freight rates set by the carriers; needless to say, the

attractiveness of the rates will largely determine the success of the Seaway.

It is of course still far too early for even preliminary answers to the biggest questions: whether diversion will put serious pressure on other transportation media; how much new business the Lakes states and provinces could generate now they have finally attained their long-cherished direct access to the world's sea lanes.

For lack of any other single descriptive term the whole Lakes-to-ocean project is commonly talked of as the "Seaway" (see map). In its narrowest sense, however the "St Lawrence Seaway" consists of the 190-mile stretch from Montreal up to Tibbetts Point at the mouth of Lake Ontario.

Previously passage was limited to ships with 14-foot draft carrying 2,500 tons of cargo; the new route admits 27-footers with 9,000-ton loads. Aside from dredging along the whole route, seven new locks were built on the St Lawrence River to replace 21 old ones between Ogdensburg (below the Thousand Islands) and Montreal. Cost of these projects: $443,000,000. To this must be coupled $25,000,000 to deepen Canada's Welland Canal which links Lakes Ontario and Erie, bypassing Niagara Falls.

Furthermore, there is the $146,000,000 project of US Army Engineers to dredge five connecting channels between the various Great Lakes. Till dredging is completed in 1962 or 1963, depths will be 21 feet upbound, 24 feet downbound and ships with 27-foot draft will have to turn around at Toledo.

Then there is the estimated $425,000,000 which has been spent by US and Canadian municipalities and private companies to dredge harbors, build new terminal and dock facilities.

Power Portion. Fitted inseparably into the channel-deepening, lock-building program of the Seaway proper is the great $650,000,000 St Lawrence power project, built jointly by the Hydro-Electric Power Commission of Ontario and the Power Authority of the State of New York.

A day after the Queen cuts the Seaway ribbon, she (teamed this time with Vice President Nixon) will give an official send-off to the Power Project at the Robert Moses-Robert H Saunders Power Dam between Cornwall, Ontario and Massena, NY. Again the formalities follow the facts; power has flowed to Ontario and northern US consumers since last July.

The Moses-Saunders dam is the only direct power dam but two others, the Long Sault and Iroquois, control the water flow. Under this set-up the whole Great Lakes constitute the watershed for the dam. The water level descends gradually from 602 feet on Lake Superior to 242 feet at the storage dam, then tumbles to 157 feet below the Moses-Saunders spillway.

A vital point for industries seeking steady power is the St Lawrence's unusually even flow. At its heaviest the flow is rarely more than twice the most tranquil rate com-

pared with a 35:1 maximum-minimum flow ratio at the Grand Coulee (one reason aluminum plants and other large users often have to surrender most of their power supply in dry seasons).

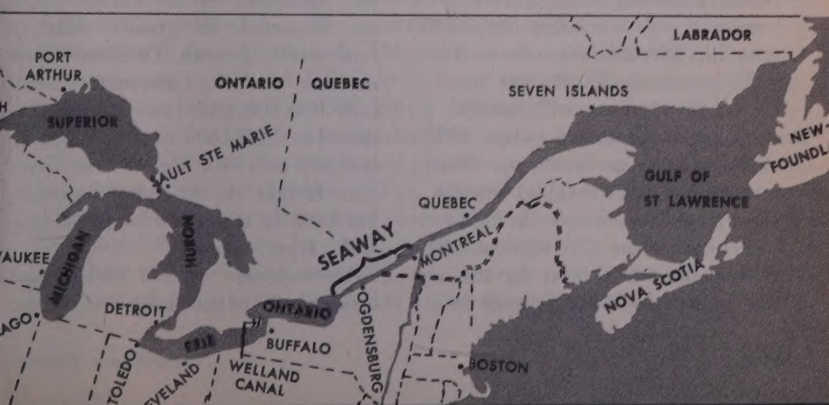
The 1,880,000 kw produced by the power dam are equally divided between Canada (Ontario) and the US (upstate New York and Vermont). Biggest customers for the US power will be Reynolds Metals which built an $88,000,000 aluminum plant at Massena (200,000 kw), Alcoa which is expanding its already sizable plant in Massena (174,000 kw) and the Chevrolet Division of General Motors (12,000 kw) which has put up a new auto parts plant to use aluminum from neighbor Reynolds. Another builder is Quebec Lithium Company which plans to build a $3,000,000 plant at Rouses Point, NY.

Among the utilities, Niagara Mohawk Power Corp will take at least 115,000 kw for its rural and domestic customers, will get more at times of excess supply. New York State Electric & Gas is signed up for 20,000 kw.

Liquid Turnpike. Compared with the fairly concentrated power portion, the transport project ranges far wider and its effects are harder to pinpoint. It opens up a "fourth seacoast" with a coastline of 8,000 miles and some 50 ports. Eight US states and Canada's two most populous provinces border Great Lakes-Seaway waters.

Like the Panama and Suez Canals, the Seaway is a liquid toll road. Its $468,000,000-plus direct cost (including Welland) is to be paid off over 50 years. Toll proceeds will be split 71% for Canada and 29% for the US in line with the two nations' investment in the project.

The Seaway's toll structure calls for a 4¢ a ton charge based on the gross registered tonnage of the vessel plus 2¢ a ton for the previously toll-free Welland Canal. Atop this comes a cargo fee of 40¢ a ton (plus 2¢ for Welland) on bulk cargo like grain and 90¢ (plus 5¢) for general cargo. Higher rates for general cargo stem from the fact it is usually more valuable than bulk stuff and requires more careful and slower handling. Bulk freight is ex-



SEAWAY LOG

	Miles
Duluth to Sault Ste Marie	394
Sault Ste Marie to Detroit	332
Detroit to Welland Canal	244
Welland Canal	28
Welland Canal to Tibbetts Point (entrance to the St Lawrence River)	159
Tibbetts Point to Ogdensburg	68
Ogdensburg to St Regis	46
St Regis to Montreal	68
Montreal to Quebec	160
Quebec to Strait of Belle Isle	843
Total: Duluth to Atlantic	2,342

pected to be 90% of Seaway cargo.

There is, however, another important classification, domestic package freight. This is any cargo which is carried from one US port to another or one Canadian port to another. This freight is charged at the cheaper bulk rate. While most of such traffic is currently Canadian, the lower rates could conceivably encourage shipments between Great Lakes and East Coast cities at the expense of railroads and truckers.

The St Lawrence Seaway Authority (Canada) and St Lawrence Seaway Development Corp (US), administrators for the Seaway, predict 25,000,000 tons of freight will be carried over the Seaway in 1959 to yield $13,100,000 in tolls. The administrators say traffic should grow gradually till it reaches 50,000,000 tons for $28,000,000 tolls in 1968.

To generate 25,000,000 tons of cargo, the Seaway will have to go some in comparison with 1958's shallow-draft performance. Traffic last year was 12,000,000 tons in a season shortened by a mid-year switchover from old to new locks.

Freight Manifest. In the second half of 1958 the Seaway Development Corp clocked this cargo breakdown: 22% wheat, 15% other grains and 14% iron ore. Next most popular products were coal & coke, oil & petroleum products, wood & pulp. Development Corp traffic manager Willis H Crosswhite says these figures show the likely proportion of shipments on the improved waterway. However "I predict iron ore will become the No 1 commodity."

Seaway critics (the railroads and East Coast ports especially) have claimed the traffic on the Seaway is seriously overestimated and the waterway will not be able to pay for itself (which if true could be rough on the taxpayers but should mean less diversion for these Seaway rivals). Also they charge since the Seaway is open only eight ice-free months a year, they must stand by with adequate facilities to handle winter traffic which the Seaway grabs from them in warmer weather.

The Seaway is thought of mainly as a passage to the ocean but only a small percentage of the total cargo previously handled on this water route was destined for overseas. Though overseas trade will continue to represent a small portion of Seaway tonnage, its percentage gains are expected to greatly outstrip total traffic growth. Overseas trade through the St Lawrence totaled only 800,000 tons last year, is predicted at 1,250,000 for 1959 and 4,000,000 in 1970. Most of the overseas freight in the past, however, has been in the more lucrative general cargo category.

Undoubtedly one of the biggest beneficiaries of the Seaway will be the

grain trade which expects a real boost in overseas grain shipment via the new passage. Robert C Liebenow, president of the Chicago Board of Trade, estimates 600-to-750,000 tons of grain have been booked from Lake ports for overseas shipment through mid-June or as much as was shipped all last year (Chicago corn shipments this month alone are due to equal nine times the total 1958 volume for the commodity). Full year 1959 Lakes grain shipping is forecast at 12,000,000 tons (more than half Canadian) *v* 654,000 tons in 1958.

A recent US Department of Agriculture study found 70% of the grain exports from Great Lakes states went to countries which could be reached by Seaway so "substantial savings" on shipping costs should result. Duluth to Rotterdam traffic, for instance, should save around 17¢ a bushel, shipments from Chicago a shade more.

Duluth, of course, is already a big grain shipping center as are the Canadian twin cities of Port Arthur and Fort William. They should now increase in importance. But Chicago and Toledo stand to gain proportionately more since they embarked a relatively small part of the grain originating in their hinterlands. The Chicago area originated 9,017,000 tons of grain for export in 1956 but loaded only 316,000 tons directly on ships. The Chicago Association of Commerce & Industry predicts 775,000 tons will go through the port in 1960 and 1,810,000 tons by 1965.

Toledo which shipped only 236,000 tons of grain from its port in 1957 has four different projects underway to add grain handling capacity.

Grain trade cities which may suffer from the Seaway's advent are Buffalo and Oswego, NY which have been receiving much of the Duluth-shipped grain and transferred it to railroads for shipment to New York or Baltimore.

While grain holds the downbound spotlight, the most important upbound cargo will no doubt be **iron ore.** In fact, discovery of huge ore deposits in northeastern Quebec and Labrador may have been more influential than Canada's go-it-alone threat in causing Congress to finally approve the Seaway in 1954. With Minnesota's vast Mesabi range gradually being mined out of top-grade ore, more & more companies turned to developing ore in Venezuela or Liberia—which in turn would make it advantageous to shift more steel producing capacity to Eastern tidewater sites. But with the find of new Canadian high-grade ore which could be picked up by huge Seaway freighters at Seven Islands (484 miles down the St Lawrence from Montreal), Congress could see a reserve supply for defense purposes and an opportunity to prevent the economic upheaval which a steel flight from the Midwest could bring.

Many other products will also feel the Seaway impact. Farm equipment, meat and lard may go out in increased volume; foreign cars and steel, coffee, rubber, wood pulp, cement, sugar may come back.

Corporate Rosters. Many prominent companies expect to be

Seaway users. For instance, National Gypsum viewed the Seaway and its attendant industrial growth with sufficient optimism to explore and find a big gypsum deposit in Michigan. The rock will be shipped to Waukegan, Ill and Lorain, Ohio.

Probable customers from the Cleveland area include Glidden, Sherwin-Williams, Goodrich Chemical. Cleveland Electric Illuminating has been very active in publicizing the Seaway, estimates transportation savings of 15-to-25% for Cleveland area companies as a result of the Seaway. The utility hopes to benefit indirectly by added industrial, commercial and residential growth promoted by increased port activity. Oil companies in the area would like to use the Seaway to bring in oil but the biggest and most modern tankers are too big even for the improved waterway.

In Toledo possible Seaway users include De Vilbiss, Champion Sparkplug, the Willys Motor division of Kaiser Industries, National Supply and Procter & Gamble.

Flag Ships. Initially the US flag will be flown in the Seaway flotilla chiefly by Grace and American Export. They have been awarded "essential trade routes" which entitle them to US Government operating subsidies. Grace will operate to the Caribbean, American Export to the Mediterranean. Five other US lines have applied for subsidized routes.

Grace will use four ships for 24-to-34 annual sailings. Each has a capacity of 10,000 tons, with a minimum draft of 18 feet and a maximum (chock-full) draft of 28 feet which means they can at best carry only a partial load on the Seaway. Cargo will be pretty much one-way, outbound from the Lakes. Typical items carried on a recent voyage: from Chicago, pharmaceutical equipment, steel strapping, auto parts, tooth brushes; from Milwaukee, heavy machinery; from Toledo, chemicals and glass products.

Although president Lewis Lapham expects Grace Line to make money on its Seaway route in two years, some forecasters hesitate about predicting such early success.

American Export expects to use three 7,500 tonners. Managing director Frazer A Bailey says: "We'll have to have at least a full season of experience before we'll really know what we have."

Foreign Riders. However, foreign sailors will whip into the Great Lakes in far greater numbers (30 foreign lines to two US, so far). A score for the home crews: Canadian and US bulk carriers will be granted priority passage through the Welland bottleneck.

The foreign ships will also bring in foreign goods which may well put pressure on US competitors. For example, one Cleveland business man notes even without the Seaway European firms can manufacture wire cable in Luxembourg, transport it to Cleveland and lay it more cheaply than can local US companies.

Reasons for the predominance of foreign vessels: first, labor costs on US ships are far higher; second, US vessels are generally a good deal larger than those of foreign nations so a large portion of the US mer-

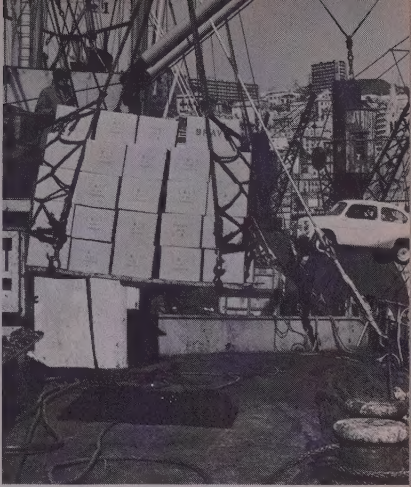
chant fleet is left to cool its propellers outside the Seaway.

Seaway critics lash hard at this state of affairs. Says New York Central Railroad marketing research vp Arthur Baylis: "Since the Seaway will accommodate less than 10% of the American flag ships, over 90% of the users will be foreign flag ships getting a 'free ride' through the generosity and fine political consideration of the American & Canadian governments and taxpayers."

Rail Foes. As the criticism by railroader Baylis, who fears "serious diversions" from the Central and other Eastern roads, suggests, the Seaway is not popular with the boxcar set. To combat threatened Seaway inroads the railroads have petitioned the ICC to lower grain rates about 20-to-25%. If any such rate cut comes off, freight shippers would benefit from the Seaway whether they use Seaway or rail.

Besides the New York Central, railroads which fall in the Seaway area include the Pennsylvania, Erie, Lackawanna, Nickel Plate, B & O and Western Maryland. Less affected will be the Chesapeake & Ohio with its coal shipments likely to continue to move out of Hampton Roads, Va. Furthermore C&O could carry coal to Toledo where it has a big $7,000,000 automatic coal loader in the port.

Out in the Midwest, however, a number of railroads look on the Seaway with some enthusiasm. Chief among these is the Chicago, Rock Island & Pacific which thus far has the only rail access to new docks and terminal facilities of the



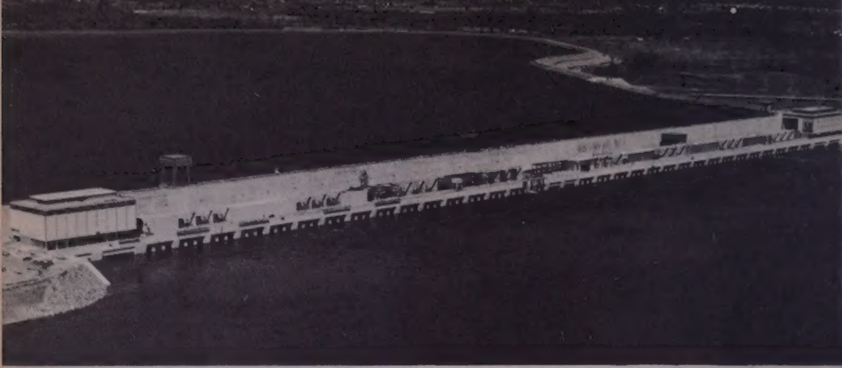
Italian car heads for the Seaway

Chicago Regional Port District (IR, May 13). The Rock Island spent $1,000,000 to serve the harbor.

Another avowed gainer is the Chicago Great Western Railway (IR, February 4) whose president Edward T Reidy says: "I can't help but feel the lines in the Midwest are going to gain by the Seaway." CGW plans to capitalize on its Seaway connection by spending $1,000,000 to improve its Chicago yard.

Also standing to gain, possibly to a moderate extent and perhaps a while off, are the Santa Fe, Great Northern, Northern Pacific, Chicago & North Western, Milwaukee Road, Burlington and Union Pacific. Says Great Northern's president John M Budd: "To the extent trade through Duluth-Superior is increased, we are strategically located to benefit * * *."

Port Divisions. Like the railroads, port cities largely divide pro & con depending on whether they are on or off Seaway. Atlantic and



Seaway's power dam: all the Lakes serve as its watershed

Gulf Coast port officials have been strongly critical. The Port of New York Authority claims its port could lose as much as 1-to-1½ million tons of general cargo annually when the Seaway reaches its full potential.

Baltimore has likewise been apprehensive. However executive vice president G H Pouder of the Baltimore Association of Commerce asserts: "No large effects on this port are expected in the early stages, except perhaps in some movements of heavier and bulkier cargoes such as grain and iron ore. The later effects on general cargo shipments, if any, remain to be seen."

New Orleans, which had been fearful, now reports its own locally-generated traffic looks promising enough so the Seaway should not cause too much diversion. Says Sumter D Marks, president of the New Orleans Chamber of Commerce: "New cargo requirements generated as a result of development in the area we service should overbalance cargo diverted to the St Lawrence." He adds: "We like to see progress and it is fitting we should congratulate those who are responsible for this great project."

The Lake ports, of course, have been preparing themselves for added traffic and bigger ships. These ports pride themselves on the fact many of them are closer to northern Europe than New York or Baltimore. For instance, from Detroit to Abo, Finland is 3,937 nautical miles against 4,533 from Baltimore and 4,260 from New York.

Leaders in the port buildup have been Chicago, Milwaukee, Toledo and Duluth. More reliant on existing facilities have been Detroit and Cleveland. The former city turned down a $7,500,000 bond issue for publicly owned port facilities, is suffering a jam-up now. The Canadian ports of Montreal, Toronto and Hamilton have also been expanding for new traffic.

Port Spending. The Chicago Regional Port District used proceeds from a $24,000,000 revenue bond issue in 1955 to build two 6,500,000-bushel grain elevators, three transit sheds and a large warehouse and 6,000 feet of dockage. Its facilities are rented out to private

companies. The city of Chicago is putting $4,000,000 into pier development.

Milwaukee has spent $11,000,000 since 1955, including $1,000,000 for a new general terminal pier and a $6,000,000 terminal facility occupying 550,000 square feet.

Toledo's Toledo-Lucas County Port Authority, first port authority in Ohio (IR, July 24, 1957), has spent $1,687,000 towards preparing the city. It has bought 65 acres of waterfront land, developed 28 so far. One plot is being used by Industrial Molasses Company of Leonia, NJ for a 6,500,000-gallon tank.

Toledo Overseas Terminals Inc, jointly owned by Oglebay-Norton of Cleveland and Lavino Shipping Company of Philadelphia, is building a $400,000 transit shed on land rented by the port authority. The port authority also plans to sell revenue bonds for a 5,000,000-bushel grain elevator to be built by Continental Grain. Cargill and The Andersons also plan grain elevators.

Kenosha, just over the Wisconsin line from Illinois on Lake Michigan, has put $400,000 into harbor facilities, looks forward to being a major distribution point for foreign autos. Ford Motor Company has taken steps to use Kenosha for this purpose. Casey Schmitz, port commissioner, says Kenosha can handle 60-to-70 ships a year, worth about $8,000 each and generating $1,000,000 of business for the city.

Such samples of civic and corporate enterprise promise true fulfillment of the dreams of the "fourth coast line."

COMMODITIES

Hide Kick

FOR YEARS the US shoe industry (which sews up 80% of the hide market) has been plodding toward annual production of 600,000,000 pairs. Recently increasing competition from Italian shoemakers has made the task more difficult. But with March output at an alltime high of 57,000,000 pairs and April estimated 11% ahead of last year, it appears US manufacturers may overstep their goal in 1959 *v* a 582,000,000-pair output last year and the previous high of 598,000,000 in 1957.

This fancy footwork at a time of unusually low leather supply sent the price of hides stampeding on the New York Commodity Exchange. The July contract reached 28½¢ a pound in early April, more than double the 12½¢ low set last September, with the price jumping the 2¢ daily limit on several occasions. In the spot market "light native cow" prices blistered as high as 33½¢.

Hide supply is little influenced by demand for the skins since hides are strictly a by-product, dependent on the level of cattle slaughter. Winter is normally a slow slaughtering season but this year the rate was abnormally low.

But now prices have started to reflect the summer's more plentiful supply and spots are down to 25¢. Futures are lower still, anticipating consumer reluctance to foot the bill when shoes take on the well-publicized price increases already set for Fall.

SPACE
News Capsules

TWO ITEMS on the news ticker the same day last week illuminated two more facets of the rapidly advancing Space Age.

- In New York, CBS announced it will join parachute expert M Steinthal & Company to form Space Recovery Systems Inc which will worry not about getting into space but about getting back. It will be "the first Space Age organization specifically created to meet the growing need for deceleration and recovery systems capable of bringing missile and rocket components and payloads from Outer Space to Earth."
- In Chicago, Prudential Insurance actuary Frank David, noting "the first customers are in sight sooner than I thought," predicted two-to-three decades hence life insurers "may think no more of granting full coverage to those who fly around in Outer Space than we do now of granting it to those for whom the plain old sky is the limit."

BANKING
Chemical Corn Combination

TO THRIVE in the vigorous competition which exists among New York City's so-called retail banks, it is necessary to keep one eye out for new customer-winning services and the other glued to costs. This split vision has produced no noticeable eyestrain in the 95-branch Chemical Corn Exchange Bank—fourth largest in the city, fifth in the nation. Following two recent additions (a college tuition loan program and a customer credit plan) to its "Gold Medal" services, the bank two weeks ago announced a new, partially automated assault against costs.

The cost-saving maneuver is an all-under-one-roof bookkeeping operation. Chairman Harold H Helm says proudly: "We believe we are the first major bank to do this." With the centralized system Chemical Corn officials feel the bank will be able to double its business capacity at a very small cost increase.

The new 177,000-squarefoot bookkeeping center takes up three floors in the modern glass & metal Produce Exchange skyscraper at Two Broadway. It houses 1,200 employes and $5,000,000 worth of leased and purchased equipment. Chief feature is a battery of 72 new National Cash Register Post-Tronic posting machines (35 more are on the way). They ring up the bank's ledger and customers' statements.

For check sorting & proofing operations there are 141 IBM proof machines (to be increased to 160 eventually) which can handle 1,200,000 checks a day. When magnetic ink coding of checks receives the final go-ahead, these will be replaced by new reader-sorters which scan the magnetic message and sort the checks accordingly. Finally there is a recently added Sperry Rand Univac to handle the bank's instalment loan and payroll bookkeeping.

At present, the new bookkeeping facility handles debits & credits for the main offices and over half the

branches. It will take care of all accounting by year-end.

Executive vp John L Gibbons says savings from this centralized operation will be a "plus for stockholders" the first year and "will show up much more the following year."

Some of the new business which Harold Helm figures the hungry bookkeeping machines will be able to handle may well come from the recent duo of new services. The tuition plan allows a student to borrow up to $10,000 for four years of higher education. Money is only taken out as needed (usually once a semester) and paid back monthly. As the bank can invest the money elsewhere until it is needed, rates can be kept "low." So far, the plan has drawn "very good responses."

The Check Credit plan follows the idea pioneered by First National Bank of Boston and introduced into New York early this year by First National City. It resembles a line of credit extended by a bank to business. A customer can write a check any time to draw against part or all of his available credit line to pay for anything he wishes. He must pay back at least one-twelfth of the borrowed sum each month, plus .98% monthly interest and a life insurance fee. Chief sales point: the credit is always available but the customer pays interest only while he actually uses the money.

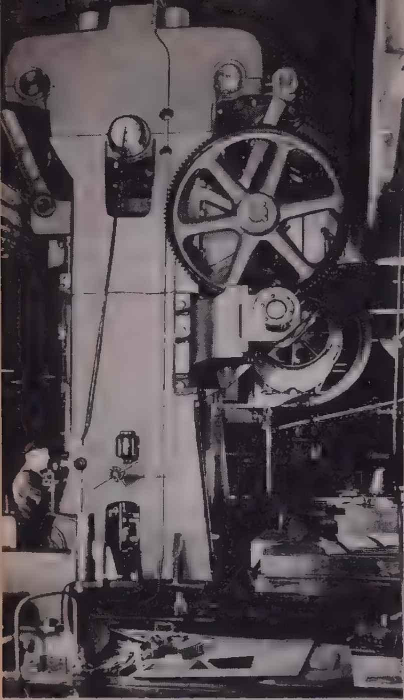
These deposits of new business and new operating economies come on top of what Chemical Corn top men call "one of the best years in the history of the bank." Net operating earnings in 1958 were a record $27,100,000 or $4.25 a share, up from $24,600,000 or $3.86 a share in 1957. And the March 1959 quarter produced net operating earnings of $1.13 a share *v* $1.05 a share. Reflecting these well-heeled profits, Chemical Corn shares currently trade at 63 in the over-the-counter market, not far off the stock's recent 29-year high of 65. The alltime adjusted high of 98 was set in 1929.

MANUFACTURING
Mirro Bright

PROPER PLANNING is a modern corporate must. But most companies are loath to issue any sort of detailed prognosis reaching into the future beyond the now fairly standard confines of a "five-year plan." Not so the medium-sized ($34,000,000 assets) Mirro Aluminum Company which has ambitiously blocked out a schedule to cover the next twelve years.

Its aim: utilization and expansion of capacity of a new $12,000,000 aluminum rolling mill which the adventurous aluminum pot & pan pioneer is building at its Manitowoc, Wis home-base. The timetable:

- The 1959-60 period will be an "unusual transitory period aimed at growth and higher earnings" but as the new mill will come on stream this Fall there will be "problems, start-up expenses and other costs."
- In 1960 "many but not all switch-over problems will be over, newly developed products should be ready for marketing."
- The middle of 1961 is target date for full integration of the new mill



A Mirro giant aluminum press

and other facilities, so the company "will be able to handle bigger orders for component parts."

• By 1962, the new mill and improved facilities will "start demonstrating their combined earning power."

• In the 1963-67 period Mirro will add a new smelting furnace, casting and annealing facilities to increase mill capacity to 45,000 tons a year from 30,000. Cost: $500,000. It will also ready "new higher ticket products" for marketing; sales should "climb progressively."

• Finally between 1968 and 1970 the company will add $2,000,000-worth of cold roll equipment, smelting, annealing and slitting facilities to boost mill output again to 60,000 tons annually. It will continue to "step up the pace for still more new products."

On the phone from Wisconsin president Walter F Bugenhagen last week elaborated: "The new mill will begin operations early this Fall and we will be producing foil within a few weeks. Of course we expect no big return for the first six months. However, start-up expenses will be minimized by our half century experience in the aluminum business."

Incorporated exactly 50 years ago as Aluminum Goods Manufacturing Company, Mirro adopted its new title (which reflects its long-established trademark) at the start of 1958. The company has devoted its prime energies to manufacture of a wide range of kitchen and household utensils. They contribute over 75% of sales. But with the expansion offensive, Walt Bugenhagen details: "Among the recent new products to bear the Mirro trademark will be aluminum boats, a portable aluminum utility house and aluminum sidings and louvers for home construction."

However, he hastens to assure: "We are a sure-footed, slow mover in new fields—we're going to watch the buck." Mirro has had an increasing number of "bucks to watch." Last year sales edged up to $37,500,000 from $37,100,000 in 1957 but earnings showed a 14% increase to a well-polished $2,460,000 or $2.37 a share. In the first quarter of this year, sales climbed 4% to $9,740,000 while earnings again rose 14% to $638,000 or 61¢.

Roughly 28% of Mirro's 1,000,000 common shares are held by Alcoa. The rest trade at an alltime high of 34 on the Amex, double the 1958 low. The regular dividend is 30¢ quarterly for a 3.6% yield but Walt Bugenhagen holds "if things continue to look right we may declare our extra 30¢ bonus even with all our expansion spending." Mirro has often paid year-end dividends including 30¢ in 1957-58.

OIL

Amerada Ambition

ONLY A ROOM-FULL of the 10,500 stockholders of Amerada Petroleum Corp were present last fortnight at the annual meeting in the company's downtown Manhattan offices. But these fortunate few found the news offered by chief executive Alfred Jacobsen at the strictly-business meeting worth the trip. Longtime headman Jacobsen (president in 1929-55, chairman since) estimated first quarter earnings were "about $1 a share, 15% better than last year's 88¢." He felt "it's too early to make an estimate for the full year" but "at the moment it looks as though earnings will be materially better."

Production averaged 88-to-89,000 barrels a day in the first three months, a 7% increase over 1958; output in April and May continued "at about the same level." This current rate for the $173,000,000-assets producer is about equal to average daily production in 1957, when Amerada reported record profits of $29,900,000 ($4.74 a share) on sales of $116,000,000. But since crude prices are down, outsiders estimate earnings for the year at about $4. Last year, with production down to an average 79,900 barrels a day as allowables were reduced "under pressure of excessive imports," sales dropped 12% to $103,000,000 while profits fell twice as far to $22,500,000 or $3.56.

The volatile stock fell from the 1957 high of 147½ to a low of 81 early in 1958. It climbed back to 114 last September but has since declined to 91. Based on the $2 annual dividend, this makes for a 2.2% yield.

Headman Jacobsen points out Amerada dividends have averaged about "47% of net profits in the past five years, about par for the oil industry." There are no "immediate plans for a dividend increase" as Amerada wants its cash for oil prospecting. "Amerada is in a very favorable financial position, probably relatively more so than any other oil company. But we're hoping to put more money into Libya and elsewhere. Development of new fields costs a lot. You can always borrow. But it's better to do it with your own money * * * High outlay and risk are the essence of the oil business. You have to take gambles."

In the past Amerada's gambles have been highly successful and the company has built its business solely on crude production. Operating some 3,200 wells, it ranks as one of the nation's top 20 oil producers and is the biggest company solely in the producing end of the business. Last year it brought 29,-

200,000 barrels of oil to the surface.

American Exploits. Most (92%) of Amerada's oil comes from wells in the US. Texas properties alone account for 25%, other wells are in New Mexico, North Dakota, Oklahoma, Kansas, Louisiana and California. North Dakota with the largely untapped Williston Basin was Amerada's "area of greatest [oil hunting] activity" last year. The company now has an interest in 850 producing wells in the region *v* six in 1952. Oilman Jacobsen admits Amerada could double its Williston production but at present there is no nearby market or cheap way of carrying oil out.

The rest (8%) of Amerada oil comes from north of the border. At year-end the company held oil & gas leases and exploration rights on 7,900,000 acres in Canada, had a 45% interest in another 4,000,000 acres in the Yukon and Northwest Territories. President Edward McCollough told stockholders: "We think Canada continues to be a very attractive place for production. We increased our production there 12% last year while overall Canadian production was off 9%. And we acquired a lot of acreage there. We plan to start drilling in the Yukon by the end of the year."

Although Amerada has no concessions in Alaska, the company had two helicopter crews prospecting in the 49th state last year and geologist McCollough reports "we hope to have another up there this year."

International Endeavors. On the lookout for still more reserves, Amerada examined possibilities in 30 different countries from Argentina to Australia last year. One hope: a 3,000,000-acre concession in the hinterlands of Guatemala. No oil has been found so far but "geological formations indicate the possibility." One disappointment: after five dry holes, drilling in British Somaliland was terminated.

However the focal point of Amerada overseas endeavors is Libya. Along with Continental and Ohio Oil (Ohio is also a 45% partner in northern Canada) the company shares 62,000,000 acres of concessions—"an area about the size of Pennsylvania and New York combined." Vice president Benjamin Weatherby reported "it holds a very great potential for us." Dr Weatherby noted if oil is produced in large quantities, it should have competitive advantage over oil from further east as it will not have to go through Suez or the Syrian pipeline.

So far in Libya seven widely scattered wells have been brought in and 21 dry holes drilled. The Amerada group has made three of the discoveries. Dr Weatherby judges: "Considerable drilling is still required but it is reasonable to think the area between two of our wells eight miles apart may be productive." Chairman Jacobsen quoted enthusiastically from the *Petroleum Press Service:* "We may be witnessing the birth of a vast new oil province."

Although no figures were released, company officials reported Amerada reserves at year-end were the "highest ever." Company financial statements proved as liquid as

its material assets. Long known in the industry for its strong financial position, Amerada reported current assets of 6.2 times current liabilities. Unlike many fellow oil seekers, Amerada has a clear capital structure with no debt or senior shares ahead of the 6,310,000 shares of common.

Amerada also has impressive financial strength underground. As is industry custom, properties which have become productive are carried at cost less depreciation; hence the increased value which results from successful strikes is not reflected in the balance sheet. Another plus: a 5% stock interest in oil land owner Louisiana Land & Exploration acquired in the late Twenties is carried at its $59,200 cost, although the stock is now worth $30,000,000.

DRUGS
Bristol Basket

MUM may be one of the words at the Bristol-Myers Company but it does not apply to the sweet smell of well-advertised growth for the $71,000,000-assets Big Board-listed drug producer (ticker symbol: BMY). In the last five years sales have more than doubled to reach $114,000,000 in 1958. Earnings have done even better, nearly tripled in five years to $7,235,000 or $4.38 a share.

Almost 80% of total sales come from proprietary drugs and toiletries. A key factor is Bufferin, the buffered aspirin which became one of the top bestsellers soon after its 1948 debut. Toiletry brands include Ipana toothpaste, Vitalis hair tonic, Mum and Ban deodorants, etc.

A big addition to the proprietary line came early last year with the acquisition of Grove Laboratories, a St Louis firm making NoDoz stimulants and 4-Way Cold Tablets, for $4,800,000 plus 67,000 common shares. An even bigger addition is promised by the just completed cash purchase of Clairol, Inc of New York whose Miss Clairol hair colorings dare prospective customers to find out "Is it true—Blondes have more fun?" The Clairol price was $22,500,000 but it promises to add $1,750,000 or $1.08 a common share to Bristol-Myers net profit this year. BMY treasurer Gavin Keith MacBain stoutly asserts: "I think many people have not yet absorbed the significance of the Clairol acquisition."

One side effect of the sensational sales success of Bufferin plus the extra volume brought in by Grove and now Clairol has been to overshadow BMY's determination to establish a strong position in the

BMY pills line up for labels

ethical drug field. Although sales of pharmaceuticals rose to an alltime high of nearly $25,000,000 in 1957, sharp gains by proprietaries and toiletries cut the ethical share of total BMY volume from 34% in 1951 to 23% two years ago. Last year with a heavy sell-off in over-inventoried antibiotics the proportion slipped all the way to 18%.

Nevertheless the ethical lines make a substantial contribution to BMY profits and are expected to show important growth. Subsidiary Bristol Labs turns out broad-spectrum antibiotics tetracycline and 1958-introduced Kantrex. Last month Bristol Labs and Beecham Group Ltd of London agreed on a cooperative penicillin research program which is expected to develop new, more tailor-made types this year. Bristol also produces limited quantities of an experimental cancer drug called Mitomycin C for the National Institutes of Health. To push further into the ethical field the company recently completed expanded research facilities in Syracuse.

Directors have also written a stimulating prescription and increased dividends for the 13,500 holders of 1,620,000 BMY common shares. Last month they proposed a 3-for-1 split effective July, meantime upped the quarterly dividend to 60¢ from 45¢. President Frederic N Schwartz announced first quarter earnings excluding Clairol were up to $1.39 a share from $1.32 and for the full year treasurer MacBain foresees "$5-plus" on the old stock.

PRINTING

Harris-Intertype Rolls

THE FASHIONABLE June wedding two years ago in which leading printing press maker Harris-Seybold Company of Cleveland took in Brooklyn typesetting machine maker Intertype Corp was followed by a somewhat clouded honeymoon. As the new couple started to live together under the name of Harris-Intertype Corp (IR, June 26, 1957) both partners felt the recession impact on orders. Recession-inspired cutbacks in many ad budgets were translated into less business for printers who in turn hesitated to buy new equipment.

In the fiscal year ended June 1958 Harris-Intertype found its volume of printing equipment & products down 10%. Profit margins were pressed by reduced volume and some non-recurring expenses. Consequently profits dropped to $2,950,000 or $2.53 a share from $4,730,000 or $4.02 a share in the year ended June 1957.

Now however the Harris presses print cheerier news. In the nine months through March shipments rose 10% while profits recovered to $2.79 a share from $1.75. And in Cleveland two weeks ago chairman-president George S Dively (who previously held the same posts with Harris-Seybold) told hometown security analysts "our objective is to double our present volume in about five years." This would carry sales from last year's $58,000,000 to safely over the $100,000,000 mark. As in the past five-year period, George Dively expects "half our

projected growth will come from internal product development and the balance from acquisitions."

Next to Intertype the most important acquisition in the recent past was the late 1957 purchase of Gates Radio Company. This 37-year-old communications outfit contributes one-tenth of parent Harris-Intertype's sales and at present "is chalking up its best year in history." It supplies half of all audio equipment used by US commercial radio stations.

The original divisions are also making handsome gains. Harris is the world leader in offset lithographic presses and George Dively reiterates "this printing process is growing at double the rate of conventional methods." An electronically operated photographic copysetting machine (sets "type" on film rather than metal) is "still in development" as is a new-style rotary press which can take over most jobs now done on flat-bed letter presses. There are also rumors about a process which will give a three dimensional look in print.

Meantime with the outlook bright some Wall Streeters feel the quarterly dividend might be restored to 50¢ after the cut in recession-ridden 1958 to 37½¢. In any case, enthusiastic traders appear to have already discounted much of the earnings recovery as well as some of the rumors of "revolutionary" developments. On the Big Board the stock in recent weeks jumped to an all-time high of 52—a dozen points better than any previous year. Last week it receded slightly to 50, still more than double last year's low.

TEXTILES

Burlington Weave

ONE OF THE brightest threads in the tapestry of good reports released by textilers this Spring is the showing of Burlington Industries Inc. March quarter sales of the nation's No 1 textile manufacturer increased to $195,000,000 from $162,000,000 a year ago; earnings nearly trebled to $5,870,000 (66¢ a share) from $2,150,000 (22¢). To show the strength of the company's financial fiber, directors last month voted to restore the quarterly dividend rate to 25¢. Under recent unhappier conditions it had been slashed to 20¢ in June 1957, 15¢ in September 1958.

Burlington vice president Jackson Spears attributes the new profits pattern ("the broadest improvement since 1951") to three factors: 1) improved price levels; 2) improved stability of mill operations; 3) a big pick-up in the wool business (last year a substantial nonrecurring loss was sustained in raw wool).

He illustrated each of these three points in turn. The price of cotton 80-square print cloth (a trade barometer) has risen from 17¼¢ a year ago to 18¾¢. Burlington's forward sales position is the best since the Korean period. One of its woolen subsidiaries, Pacific Mills, produced a $775,000 profit in the first three months of 1959 against a $600,000 deficit in the same three-month period of last year.

But Southern Methodist University and Harvard Law School educated Jack Spears feels the improve-

Bur-Mil striped nylons on display

ment is "not good enough. Earnings for the first six months of our [September] fiscal year were $10,-100,000 on sales of $378,000,000 or only about 6% before and 3% after taxes. We ought to be able to make somewhere in the area of 8% on sales before taxes—and that's very modest."

With synthetics still selling at 64% of the 1947-49 wholesale price average and cotton at 87%, Jack Spears looks for improvement from several directions. Since less textile machinery is in place each year, the textile industry is within a few percentage points of solving the problem of oversupply.

Although domestic textile man Spears is still worried about imports from "low wage" countries, he feels "for the moment the quota system set up with Japan has apparently brought the situation under control."

The explosive population rise due for the 15-to-24-year bracket in the next decade will mean many new teenagers growing up to a more clothes-conscious age and many young people setting up and draping new homes.

In the past decade population expansion has not been enough to help the industry because of declining per capita consumption of textiles, due in part to "better and longer-lasting products."

Lasting Power. Over the years Burlington itself has exhibited considerable lasting power in an industry often troubled by a high mortality rate. Since its formation in 1923 by present president & chairman Spencer Love, it has expanded primarily through acquisitions from a small rayon specialist to a 112-plant synthetics, woolens, worsteds, cotton and glass fabrics manufacturer. It is the most widely diversified operator in the industry.

Burlington's willingness to improve its balance through acquisitions remains unchanged, Jack Spears indicates. He himself was "acquired" by Burlington seven years ago with purchase of Manhattan rayon converter National Mallinson Fabrics of which he was a principal owner. Burlington's latest addition (small compared to most others): 90% control of pile fabric maker Sidney Blumenthal & Company last December.

Diversified Burlington sells wholesale to 40,000 customers. Products include a broad range of apparel

fabrics, upholstery, curtain and drapery fabrics, sheets, industrial fabrics, ribbons and men's, women's & children's hosiery. To broaden its product line the almost half billion assets textiler has been a leader in development of blended fabrics like men's tropical suiting, women's "wash & hang" wear.

To maintain its strong leadership in products and machinery, Burlington busies 23 laboratories. It has even lent financial support to a research program on applications of nuclear energy to textile processes and materials. In the past ten years it has also spent $180,000,000 for plant modernization.

Vice president Spears has no fiscal 1959 estimates but ventures "the higher level of sales and earnings which has developed is continuing unabated and I see nothing on the horizon to slow that trend." The trend has also seen Burlington shares on the Big Board recover to 19, not too far from the alltime high of 23¼ posted in 1951 and double last year's low of 9½.

BUILDING MATERIALS
Celotex Caper

CONSTRUCTION components like gypsum and asbestos on which many building suppliers build their business come somewhat prosaically from various earth deposits. But not that of Celotex Corp. The $78,200,000-assets Chicago-based building supplier has grown on a foundation constructed from lush sugar cane plants. From 48%-owned affiliate South Coast Corp comes fibrous cane residue processed from plants in Louisiana's "Sugar Bowl." Celotex turns this into accoustical and insulating board which account for some 60% of the company's total sales.

However the remainder of Celotex sales is gleaned from more conventional building products such as gypsum plaster, sheathing and board; asphalt shingles and roofing; hardboard products for paneling, partitions and shelving.

This wide variety of construction products built sales of $67,700,000 last year—1% below 1957 and 12% under the alltime record of $76,500,000 reached in 1956. Due to general recession setbacks and slow residential construction in early 1958, earnings for the year dropped to $3,130,000 ($2.79 a share) from $3,880,000 ($3.53) in 1957 and $5,900,000 ($6.43) in 1956.

However results in the first quarter of 1959 showed a far brighter look. Sales increased 15% to $15,500,000; earnings whizzed to 58¢ a share (including 15¢ on disposal of fixed assets) from 6¢ in the poor first period of 1958.

Treasurer Choate W Johns adds: "In our second quarter business has been pretty good; it shows no evidence of a slow-up in housing starts." He comments: "We can expect an improvement in sales and earnings which will equal or exceed the first quarter of 1959. We expect full-year earnings to come near $4 a share." Celotex shares now trade on the Big Board at 41, up 15 points from the 1958 low but still some seven points below the alltime high reached in 1956.

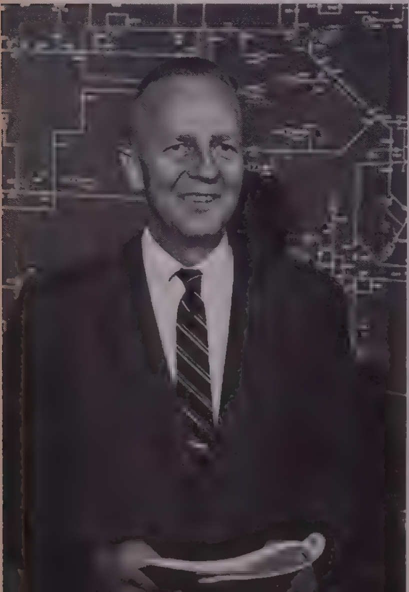
Natural Gas in Brooklyn and the Midwest

Three New York Boroughs Provide Bright Potential For Brooklyn Union Gas

THE HEADQUARTERS of the Brooklyn Union Gas Company are located on busy Remsen Street where they overlook the current demolition of the former executive offices of the now departed Dodgers. But unlike the Dodgers, Brooklyn Union fully expects to further build its profits in Brooklyn. Last week New Haven-born and erstwhile Dodger rooter president John E Heyke expounded his theory to do just that: "The only way to increase earnings is to increase sales. We must keep ahead."

The 110-year-old utility continues to keep ahead with a record-breaking first quarter. Revenues for the three months ended March increased 7% over the same 1958 period to $27,200,000 while net income rose to $4,200,000 ($1.94 a share) from $3,800,000 ($1.75). These healthy gains during the utility's peak season came atop an impressive 1958 record. For the full year volume raced ahead 13% to $78,900,000 while profits climbed 9% to $6,900,000 or $3.17 a share *v* $2.92 in 1957.

Heyke and distribution map



Civic-minded Heyke (he was elected president of the Brooklyn Chamber of Commerce last week) has also shown himself stockholder-minded. Since 1953 when he became top man at Brooklyn Union dividends have been increased each year from $1.50 annually to this year's indicated rate of $2.20. Since "our policy is to pay out 70-to-75% of earnings" a further increment is probable in 1959 for "we expect to do better this year. "John Heyke adds: "I am very optimistic about our future."

Thanks to three major acquisitions in the past two years, $225,-000,000-assets Brooklyn Union now serves more than 1,000,000 customers. Last month Brooklyn Union consolidated with Brooklyn Borough Gas Company which added some 103,000 customers and gave the company all of Brooklyn for its service territory. The newly acquired Coney Island utility had revenues of only a little over $6,-000,000 and profits of $584,000 last year but parent Brooklyn Union expects to improve these figures since "the company is 10% our size but

yields less than 10% of our sales."

A year earlier the New York & Richmond Gas Company which serves fast growing Staten Island was merged into Brooklyn Union. John Heyke believes "Staten Island has tremendous growth potential with its vast undeveloped areas." Also in 1957 Kings County Lighting (9½ square miles in Brooklyn and 119,600 customers) added a big chunk to Brooklyn Union territory. Besides its Brooklyn and Staten Island territory the company also serves a large part of Queens, New York City's fastest growing borough.

Step up the Gas. However Brooklyn Union's best growth has come from the increased use of gas by present customers. Biggest factor is space heating. An average customer heating his home by gas will use 175,000 cubic feet a year as opposed to a typical non-heat customer who uses 15,000 cubic feet.

Virtually all of this business has been built up since the company's introduction of natural gas in 1952. Since that time it has quadrupled the number of gas space heating accounts to 100,000 last year and expects to add another 16,000 in 1959. Even so, good growth opportunities remain in this field since Brooklyn Union only has 28% heating saturation compared with nearly 100% saturation in kitchen stoves.

Also encouraging is the use of gas heating by some apartment houses now being built in Brooklyn. Brooklyn Union aggressively pushes sales of gas appliances such as ranges, dryers, water and house heaters. Last year the company sold $8,000,000 worth of appliances which (together with appliances sold by independent dealers) should bring in $5,000,000 a year in new gas revenues.

Last year the expansive utility sold 51,400,000 mcf of gas or 7,300,000 mcf more than in 1957. This increase alone would run 1,000 refrigerators for over 600 years or cook everyone's meals in the US for about a week.

To take care of its mushrooming customer demand for the coming Winter Brooklyn Union has contracted with one of its three natural gas suppliers, Transcontinental Gas Pipeline (the others: Tennessee Gas Transmission and Texas Eastern) for an additional 4,500,000 mcf of gas to be stored this Summer in Pennsylvania's Leidy field.

Brooklyn Union is also expanding its distribution lines. This year the company plans to shell out about $7,500,000 for pipelines which will carry an additional 250,000 mcf a day from the Texas Eastern outlet in New Jersey through Staten Island to Brooklyn.

However the pipe lines are but one facet of Brooklyn Union's expansion plans. Total expenditures for this and each of the next 4-to-5 years will be a record $18,000,000. To pay for this, John Heyke admits, "we will have to do some outside financing. Before Summer is over we will borrow from the banks and I expect we will go to Wall Street late this year or early next—probably with either a straight or convertible preferred issue."

Happily the common stock is no

stranger in Wall Street. First listed on the Big Board in 1896 today's 2,200,000 shares have nearly doubled from their 1958 low to a recent 60. Since then however they have receded slightly, now trade around 53.

Decade-Young Distributor American Natural Gas Serves Michigan, Wisconsin

TEN YEARS ago American Natural Gas Company was nearly the victim of the Public Utility Holding Company Act, an axe which chopped away at its predecessor, American Light & Traction Company. Having escaped annihilation by reorganization, the company today is triple in size with total assets of $693,000,000. In ten years American Natural Gas has boosted revenues 250% to $205,000,000 in 1958 while profits increased over 300% to $21,582,000 or $4.03 a share (adjusted for the current 10% stock dividend).

ANG is the largest natural gas distributor in Michigan and Wisconsin through 100%-owned subsidiaries Michigan Consolidated Gas and Milwaukee Gas Light. They sold 216 billion cubic feet of gas last year (12% over 1957) and have added 215,000 customers since 1949. Backing up the distributors are 100%-owned Michigan Wisconsin Pipe Line and American Louisiana Pipe Line, a team which carries gas from the fields of Texas, Oklahoma, Kansas and Louisiana. Although 80% of their sales are to ANG, their 3,300 miles of pipeline also serve 22 non-affiliated companies.

Dispatcher checks gas flow

The biggest earner in the ANG system is Michigan Consolidated which supplies 2,900,000 people, about 82% of whom are in the Detroit area. Last year its sales accounted for $146,000,000, over 70% of the parent's total revenues. To bolster its position, Michigan Consolidated owns nine underground storage fields in the state. Thus it can level seasonal bumps by storage in the summer months to meet peak winter loads. These fields have a capacity of 110 billion cubic feet or enough to supply all ANG customers for six months.

Michigan Consolidated receives 75% of its supply from family pipelines. The other 25% (127 million cubic feet daily) comes from Panhandle Eastern Pipe Line and is presently in danger of being cut off. The FPC has authorized a Panhandle cut-off after the Commission allocates the supply to other customers.

Economic Supply. Hearings on this hot subject will start June 16

and meanwhile Michigan Consolidated is seeking a review in the courts. In his Detroit office last week ANG president Ralph Talbot McElvenny stated: "We do not believe the abandonment order is justified and since it is without precedent, we think we have an excellent chance to get it reversed. If we do lose the gas we can replace it, but it's an economic question. Panhandle gas is cheap and we don't think it's fair to take it from us and give it to someone else." In a recent rate boost application the company stated the resultant cost increase would be $5,400,000 a year.

Michigan Consolidated has already made a contract with Midwestern Gas Transmission for the delivery of 158,000,000 cubic feet of Canadian gas daily, 31,000,000 more than it now gets from Panhandle. The contract is subject to FPC approval and a Canadian export permit but these should come along.

The 52-year-old president also is excited about Canadian gas from a producer's viewpoint. Just over a year ago American Natural Gas formed a production company "to engage in exploration for and acquisition and development of gas reserves." Already the new production unit is at work in Louisiana where it has 12,590 net acres under lease and has done some producing but "it is not a substantial factor as yet."

Work at Integration. President McElvenny goes on: "We are looking forward to full integration over a period of years but we'll have to work on it. It's not an overnight proposition." It will probably be achieved by acquiring undeveloped fields from oil companies whose small take from natural gas is not worth the trouble.

To partially finance expansion throughout the rest of the ANG system (this year's capital program is $105,000,000), the company early this year raised $28,000,000 through sale of more common to stockholders at $57.50 (equal to $52.25 on current shares).

Common dividends have been paid regularly for 55 years with five increases since 1950. In March a 10% stock bonus was declared along with the quarterly 65¢. Last week the common traded around 63, not far below the adjusted 29-year high of 65½ reached earlier this year.

The first quarter brought new gains. Profits for the twelve months ended March advanced to $23,112,000. But the extra shares sold on rights late in the period pulled earnings a share down to $3.92 (adjusted for the stock dividend) or slightly lower than the full-year 1958 result though still well ahead of the $3.75 netted in the twelve months ended March 1958. Ralph McElvenny feels "for all of 1959 we should earn about $4.30 a share, maybe more."

He is "enthusiastic" about prospects for his industry. "It's a fascinating business with a tremendous market. Natural gas is cheap in comparison to other fuels. Oil heating costs more. We're adding a couple thousand customers a week now and I think the future looks excellent."

Experiment and Expansion at McLouth

Eleven-Year Drive Turns Detroit Rolling Mill into Nation's No 12 Steel Maker

BLUE FLAMES spurted last week around the bottom of the No 2 blast furnace at the Trenton, Mich plant of McLouth Steel Corp, their darker hue in strong contrast to the surrounding orange glare of molten iron. A foreman in overalls and helmet shouted to an inquisitive spectator: "We're trying something new. It's still to be proven, but it looks like we've got something."

Half an hour and ten miles later at the company's modest two-story headquarters at 300 Livernois Avenue in Detroit president Merlin Cudlip explained: "We can't tell you just what we were doing. Let's just say we like to try things out." At McLouth, he added, there is "an urge toward capital expenditures—to increase capacity, yes; but chiefly to cut down operating costs."

This expansive urge to try things out plus a pronounced talent for financing its ventures have in eleven years transformed McLouth (which was only a rolling mill from its formation in 1934 until 1948) into the nation's 12th largest steel producer. During this period the company's sales have climbed 15-fold.

At first the company finished steel supplied by other mills. In 1948 potential loss of its semi-finished source forced McLouth to integrate backwards. Once on the expansion road, the company found it a good one to travel. During 1948-51 the company spent $22,500,000 to construct its plant at Trenton, Mich, just southwest of Detroit. Instead of the more conventional open hearths the company put in four 60-ton electric furnaces to meet its hot metal needs.

While scrap forms part of the charge in most furnaces, the greater scrap utilization of the electrics is advantageous in the heavy scrap-generating area of Detroit. Trenton provided McLouth with an annual ingot capacity of 501,000 tons from the electric furnaces and rolling facilities to reduce the red hot ingots into sheet and strip products.

Motors Backing. McLouth pulled its biggest coup in 1952 when it asked General Motors to take $25,000,000 worth of participating preferred stock to help pay for a major part of a $105,000,000 expansion carried out in 1953-55. GM welcomed additional steel making facilities in Detroit because at that time the area used 15% of national production but produced only 5½%. The auto city has only two other major integrated steel makers: National Steel's Great Lakes division, Ford Motor's own steel plants.

As part of the McLouth financing arrangement, GM agreed to buy at least 5% of its domestic steel from McLouth until 1967. Since GM's total steel requirements could pretty well utilize the full output of a dozen McLouths a 5% share is mighty big business for McLouth. In the past five years GM purchases have averaged about 40% of McLouth's dollar sales while other automotive customers currently consume an additional

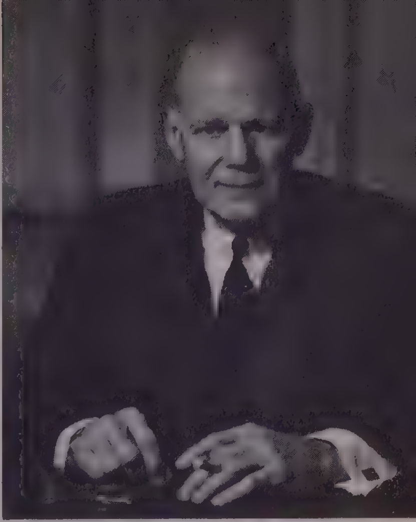
20-to-25% according to Merlin Cudlip. Furthermore GM's purchases have become so well established McLouth professes no fears about continuance of the buying pattern after 1967.

With GM backing the McLouth expansion, the company's financial campaign was assured of success. Detroit auto parts maker American Metal Products bought $2,000,000 worth of the participating preferred; banks and insurance companies took mortgage bonds, secured bank notes and income notes.

Oxygen Shot. With these funds McLouth put up its first blast furnace, two more electric furnaces and the first three oxygen furnaces constructed in the US (for converting hot metal from the blast furnace into steel) along with a new six-stand continuous hot mill and ore docks—all at Trenton. Stainless steel facilities at Detroit were also expanded in addition to a new cold rolled sheet & strip mill on an 820-acre site at Gibraltar, 25 miles from downtown Detroit. The program increased McLouth capacity to 1,570,000 tons.

With the $100,000,000 expenditure digested and being paid off in sizable chunks McLouth in 1957 embarked on another expansion, this time to the tune of $35,000,000, paid for through a major refunding which replaced the old bonds and bank notes with $64,000,000 of new 5½% first mortgage bonds, $16,000,000 of unsecured bank notes and 105,000 shares of $100 par convertible preferred (called this February).

Finished last year were a new laboratory, a second blast furnace, a sintering plant, two 90-ton oxygen furnaces and annealing furnaces. This has boosted McLouth capacity to 2,040,000 tons.



Steelmaker Merlin Cudlip ©JEAN RAYBURN

Recession Record. After earning only 2¢ a share in the first quarter of 1958, business conditions improved and by the final quarter McLouth had whipped its new facilities into efficient operation. Thus, earnings for the recession year came to a record $9,998,000 or $5.65 compared to $5.36 a share in 1957. McLouth was one of the few steel companies which upped its income in 1958, a task it accomplished even though sales slipped slightly to $171,000,000 from $179,000,000.

Prexy Cudlip points out McLouth has been "running at practical [over 90%] capacity since the last quarter of 1958." Production dipped for two weeks late in January and early February when a wildcat strike followed the accidental death of an employe. Despite this temporary

cutback, the $2.71 netted on the increased common shares (due to preferred conversions) in the first quarter slightly topped the $2.64 (adjusted pro forma) of the banner last three months of 1958, and looked hefty indeed compared to the little-more-than-break-even start of 1958.

The McLouth president offers no estimate for this year: "I never forecast, that's why they call me 'No Comment' Cudlip." (Merlin Cudlip is known to most of his friends as "Bud.") But with capacity operations for at least the first half, some Wall Streeters figure full-year earnings of over $6 a share seem an assured minimum.

McLouth which traditionally operates at higher than industry levels because of its advantageous location is not expecting too much of a letdown once the new labor contract is signed. Foresightedly, the company has arranged to have one of its blast furnaces relined during the 30 days following the June 30 steel labor pact expiration.

Besides its steel-deficit location, McLouth has the advantage of new plants with amazing efficiency. McLouth has shown a talent for making its *avant garde* equipment work effectively and for getting conventional equipment quickly into profitable production. One admiring employe singled out the new sintering plant at Trenton: "It usually takes six months to a year for a sinter plant to become efficient. We put ours into operation last August and it was broken in in just a few months."

The oxygen converters, which turn out about 68% of McLouth's 2,040,000 tons rated capacity, have proved most successful. Some outsiders figure the oxygen process saves $2.50-to-$3 a ton though Bud Cudlip declines to give exact figures on the comparison. One reason: McLouth is suing and being sued by the Henry J Kaiser Company (part of Kaiser Industries). McLouth paid Kaiser a flat fee in 1953 for "know-how" used in putting in the first three furnaces but has refused to pay a license fee for operating them (IR, Nov 12, 1958). McLouth has asked for a declaratory judgment to determine if it is infringing Kaiser's patent rights.

Bud Cudlip, a steel expert who started at McLouth in 1936, succeeded founder Donald McLouth as president in 1954, is not reticent about his enthusiasm for the oxygen converters. "They do produce a very high grade steel. We're thinking about some more."

Endless Prospects. No big expenditures are currently scheduled, however. But prexy Cudlip indicates capital expenditures will be at least $3,000,000 annually for a year or two. Thereafter "the possibilities are endless." At present McLouth buys its iron ore, coke and limestone though it holds taconite (low grade iron) reserves through 50%-held Ashland Mining Corp. "We have no plans at the moment to buy coke facilities or go into mining," said headman Cudlip.

He continued: "We are investigating direct reduction methods which would by-pass the blast furnace. It might be interesting to see whether

McLouth could put a direct reduction plant on the Ashland Mining property at Butternut, Wis." McLouth has also spoken of further construction on its 820-acre Gibraltar site if proposals to deepen the adjoining All-American Channel go through. This Detroit River offshoot would provide a link to the Seaway (see page 1).

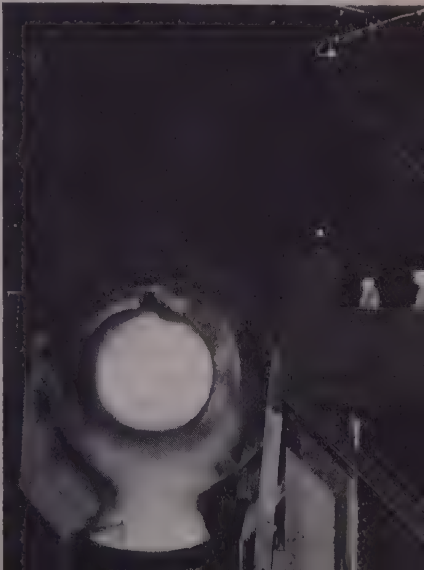
Still primarily a producer of sheet & strip for the auto industry, Bud Cudlip speculates: "We diversified when we went into stainless in 1946-47. We might expand our stainless production [which now accounts for 25% of dollar sales]. We can go into more alloy steels and flat rolled products like we're in now. We don't produce bars and wire and I doubt very much if we ever would. But we might make products of heavier & lighter gauge."

Dividend Drought. Both by choice and by stipulation of the bond & loan agreements, McLouth has funneled much of its earnings into determinedly paying off its expansion debts. Its long term debt is now down to $74,500,000 *v* $81,600,000 last June. The participating preferred (which also carries hefty contingent sinking fund requirements) will by June 30 be down to 307,000 shares from the original 540,000. And the call of the convertible preferred three months ago forced holders to switch it into 227,000 common shares. As a result the 1,720,000 common shares now outstanding represent 46% of total capitalization compared to a low of 23% in 1954.

The stock has been split 2-for-1 in 1948 and 1950 with 25% stock dividends voted in 1953 and 1956. Since the expansion program began in 1948 the stock had climbed from an adjusted low of 4 to a high of 68 last year, then inched to a new high of 69 at presstime.

While expansion has sharply boosted the stock it has also vetoed any cash dividends (last payment was 25¢ in 1948). They have been prohibited since the big 1953 financing, but Bud Cudlip notes the restriction expires this October when the income notes become convertible into participating preferred. However he said McLouth prefers not to pay cash dividends until it retires the participating preferred. "If we declared a cash dividend we would have to pay the participating preferred an amount equal to the amount disbursed to common stockholders. It would be easier if we

90-ton oxygen converter pours



paid off GM and American Metal Products (the sole present preferred holders) first." Under normal conditions they will be repaid by 1961 or 1962. The $27,000,000 owed them has now been reduced to $19,900,000.

As for stock dividends prexy Cudlip reports "we couldn't declare one now. Under accounting practice you must take out of earned surplus the cash market value of a stock dividend. This would leave us with a greatly reduced surplus." However this accounting problem would not exist if extra shares were issued through a fractional (5-for-4 or higher) stock split.

One result of McLouth's expansion is apt to be eventual listing on the New York Stock Exchange. "We qualify," said steelmaker Cudlip. "But we don't think it would be wise to list until we get closer to a cash dividend basis. We certainly hope that will be some time in the next five years."

Chemical-Metal Mix at Olin Mathieson

Invigorated, Trimmer Company Sees Brighter Outlook

AFTER a few years of aggressive acquisitions by each partner, Mathieson Chemical Company (caustic soda, sulfuric acid, ammonia, chlorine, Squibb drugs) and Olin Industries (explosives, cellophane, paper) capped their expansion drives in 1954 by merging with each other. They formed Olin Mathieson Chemical Corp, a half billion dollar, widely diversified chemical and metallurgical complex.

But despite (and to some extent because of) its interest in some of the brightest industrial growth fields the new corporate giant encountered some digestive problems as it attempted to assimilate and integrate its 50-odd plants and 17 different types of operations. While sales have climbed 20% from the company's 1954 starting mark and remained on a high plateau for the past three years, profits have tumbled sharply after a brief initial climb. Including some heavy, nonrecurring charge-offs, net income last year dropped 75% below 1954 and 80% below the 1956 high.

The 50¢ quarterly dividend, maintained (on Mathieson's side) since two years before the merger, was halved to 25¢ last Summer. And after reaching a high of 64 in 1955, the 13,300,000 OLM common shares slid all the way to 32 last year. However they have by now recovered to approximately 50.

Along with the resurgence of the stock, there are signs the OLM growing pains are abating. In the company's Park Avenue headquarters, Stanley deJongh Osborne who took over the presidency two years ago stated: "1958 was a year of major transition, the final phase of internal adjustment. We can look to the future with confidence that our present six major divisions—chemicals, energy, metals, packaging, pharmaceuticals [Squibb], sporting arms

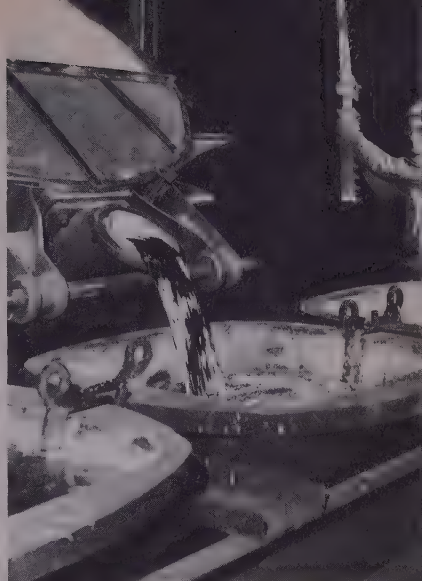
[Winchester-Western] — will provide us with substantial growth potential." Headman Osborne reiterated pointedly: "All six divisions have growth potential or we wouldn't be in them."

Vigorous Osborne tackles his job with the confidence and experience acquired in four years as financial vp at Mathieson Chemical plus three years as OLM executive vp in charge of both finance and the flourishing International Division. Earlier he had spent 20 years as an officer of Atlantic Coast Fisheries and Eastern Air Lines.

The Costa Rica-born executive likes a challenge whether it is to carry through a multi-million corporate reshuffling or teach history to Harvard undergraduates (which he did for two years following his 1926 graduation from Harvard) or write a history of Spain (which he has put "on the shelf" since accepting the president's schedule). He also personally wrote most of the 1958 annual report.

To capsule the 1958 picture: "Sales showed a relatively minor increase" of 1.4% to $601,000,000. Net profits which had skidded from the 1956 peak of $44,800,000 ($3.38 a share) to $36,400,000 ($2.67 a share) in 1957 continued to slip last year. They dropped to $33,480,000 ($2.52) "from established operations" but these figures were further "drastically reduced by unusual and special charges" to a mere $9,380,000 (70¢).

Stan Osborne explained the special items: "Among the major charges were the pre-operating and



Ormet pours aluminum ingot

start-up expenses of the new aluminum, high energy and nuclear fuel plants * * * Several options were available on how to handle the accounting. In the interest of conservatism and of securing the greatest immediate cash benefit, we elected to write off the entire amount in 1958."

Clearance Sales. In addition to taking the charge-offs Stan Osborne last year also divested the company of many unattractive or unprofitable investments. "In accord with a decision to dispose of assets which were obsolete or unrelated to our principal activities or whose retention would no longer benefit the company, a number of assets and investments were sold last year."

Among the liquidated units: the flashlight, electric battery and roller skate departments of Winchester-Western; the Morgantown, W Va

Versatile Stan Osborne

nitrogen plant; Forward House, a retail distributor of household agricultural products; Powco insecticide division; wholly owned subsidiary Industry Insurance Company. These operations had "drained approximately $2,200,000" from earnings each year since the merger.

The common stock holdings in cosmetician Helene Curtis were "disposed of without gain or loss." The company also liquidated its holding in West Coast aluminum fabricator Hunter Engineering Company and the 44% interest in construction specialist F H McGraw acquired in 1956 while Olin was planning its big aluminum facilities on the Ohio River.

Last year also saw the break up of the OMAR team of Olin Mathieson, 24%-owned Marquardt Aircraft and 50%-owned Reaction Motors whose combined talents covered space age propulsion from chemical ingredients to rocket fuels to ramjet engines. But early in 1958 Reaction merged into Thiokol Chemical, giving Olin a block of Thiokol stock which it sold last Fall at "substantial profit." Later in the year Olin disposed of two-thirds of its Marquardt holdings for another fat capital gain. Stan Osborne reasoned: "Our own activities in the field of high energy fuels might have created conflicts" had the OMAR investments been retained.

Aluminum Mettle. One field from which Olin definitely plans no retreat—though it has been a major drain on earnings since the project got under way in 1956—is aluminum. Actually Olin knew it faced serious problems when it decided to go into production of the light, bright metal. However it went ahead as part of the industry's "fourth round" expansion with a Certificate of Necessity but no Government purchase guarantee or other assistance which aided earlier participants in the metal's vast postwar expansion.

Then by unhappy coincidence the new productive capacity began to come on stream not only in the midst of general recession but when the aluminum industry was "at a low point in the economic cycle * * * going through a chaotic period of imbalance between supply & demand."

But Stan Osborne is still convinced OLM's reasoning is sound. Active in fabricating brass and copper, the company feels aluminum will give it a chance to put its metal experience to work in a field with

a more brilliant long-term growth.

Olin entered aluminum through Ormet Corp, a 50-50 partnership with Revere Copper & Brass. This quarter-billion aluminum operation includes a 345,000-ton alumina plant in Burnside, La near Baton Rouge (IR, January 21) and a 180,000-ton smelter at Omal, Ohio (see cover). Next month the entire project will be in full production.

Bauxite ore, the basic raw material, will be supplied from Surinam (Dutch Guiana) under contracts extending through 1966. For the future a raw material source is guaranteed by participation in Fria, Compagnie Internationale pour la Production d'Alumine. Olin (not Ormet) has a 48½% stake in this young West African company together with French, British, Swiss and German aluminum producers.

Fria will not only mine bauxite but is building a plant to turn the ore into alumina—the middle step in producing aluminum. This will be the first overseas plant to provide alumina to US producers. Deliveries from Fria are due to start in 1965.

Returning from a recent trip to newly independent Guinea, Stan Osborne observed: "Fria is one of the most exciting developments at OLM." He continued: "The government of President Sekou Touré has lived up to every contract made previously while Guinea was a French colony. He recognizes what the Fria project will mean to his people. It is a fantastic development, some 15,000 people housed in a new modern city with modern roads and all facilities—a tremendous pioneering job. The end of next year will see the Fria project in operation — somewhat ahead of schedule."

Wait for Black. While the long-term outlook is bright and near-term operations are improving Stan Osborne recognizes it will be at least another year before the quarter-billion aluminum investment will get into the black. However because of the pickup in business at century-old Western Brass and other non-aluminum activities, president Osborne feels "our chief sales increase this year will come from our Metals division—it should be up substantially from 1958."

Perhaps not currently as exciting as metals (which accounted for 12% of OLM sales last year) but by far the biggest part (35%) of Olin operations is the chemical division. Basic bulk chemicals like sulfuric acid, caustic soda and soda ash are behind the scenes in every major industry. Olin also is strong in agricultural chemicals like ammonium phosphates, superphosphate and nitrate of soda plus soil fungicides and pesticides. Executive Osborne foresees: "Chemical sales will be somewhat better than last year. Of course the economic recovery will be evidenced in heavy chemical production."

The OLM pharmaceutical division (18% of sales) consists of century-old Squibb, acquired by Mathieson Chemical in 1952. Major current products include antibiotic Mysteclin, tuberculosis-fighting Nydrazid and Raudixin for hypertension. The company is actively

searching for anti-cancer drugs. Stan Osborne feels "sales in this division will continue to grow."

Energetic Efforts. Newswise the most notable of OLM's operations is the energy division which is active in boron-based high energy fuels as well as other nuclear and rocket fuels plus more conventional explosives. But president Osborne notes: "Sales in the energy division (last year it accounted for 6% of total volume) will be depressed for the first six-to-eight months of this year due to the continuing start-up problems at the Ordill, Ill explosives plant."

Also partly on the defense line is the Winchester-Western division, producer of the Winchester, often called "the gun that won the West." Today the bulk of the division's guns and ammunition goes to sportsmen but Government defense orders total $4,000,000 for the M-14 rifle.

Olin's recent venture into the packaging field with cellophane, polyethylene, kraft board & paper, corrugated shipping cartons and the familiar paper grocery bag has been most successful. Last year packaging sales totaled 18% of the company volume and president Osborne expects "the expansion in kraft board operations and the new paper research center in West Monroe, La will bring a further increase in the company's packaging sales."

Fundamental to all six OLM divisions is a $30,000,000 research budget. About half of this is supplied by the Government for high energy & nuclear fuel and "other" developments. The rest will be dispensed "in all corporate fields with special emphasis on the medical Squibb Division."

Research rather than acquisition will guide OLM expansion in the foreseeable future. Notes Stan Osborne: "If our research team comes forth with a big pay-off in any field—of course we will go into it." But as for new acquisitions he adamantly adds: "No, indeed—we are not looking to merge with any company nor are we buying or selling anything more."

For 1959 distinguished looking 54-year-old Stan Osborne observes: "With first quarter sales running 25% over the same period last year and earnings up 43%, this year is bound to be better." He adds: "Of course we will have the start-up expenses from the new aluminum and explosives plants and earnings will be drained somewhat, how much is hard to say. But considering we have taken most of our major losses and assuming by mid-June the aluminum production will be in full swing, I think we can expect a substantially improved year over 1958."

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SIZZLE STOPPER

This cool cutie is made comfortable by the room air conditioner boys of the National Electrical Manufacturers Association (NEMA). They have named her Miss Beat the Heat and they hope for the chance to bring similar comfort to between 1.6-and-1.8 million customers this year. This would be 20-to-30% greater than last year's industry sales, despite a 7% lower first quarter. The 1959 goals reflect a hot rise since the 380,000 units shipped in 1952. But it would not quite match the 1,828,000 record of 1956.

This year's air conditioning sales should get an extra shove from the overall uptrend in major appliances. With national income up and unemployment down, it seems like a good year to replace the old refrigerator or finally buy a dishwasher. Homebuilding is at near-records which calls for a buying spree to equip them. NEMA reports first quarter sales for electric ranges were up 28%, refrigerators 29%, dishwashers 36%, freezers 42%.

Chances are as the days grow warmer the sweltering populace will also spend some of its record earnings to "beat the heat." One of the major industry problems however is the quick thaw of inventories which causes unfilled consumer orders to pile up during a hot spell. Just when the supply becomes adequate again, nature does the cooling and the refreshed public turns a cold shoulder.

These unpredictable intra-seasonal fluctuations plus frequently bitter price competition in an overcrowded industry have at times resulted in severely frost-bitten profit margins (including a number of fatalities) and caused many major producers to emphasize their commercial installations as well as central air conditioning for homes. However there remains a substantial market for room-sized units which is eagerly cultivated by such industry leaders as Carrier, GE, Westinghouse, Fedders, Philco and Whirlpool. And the air conditioner makers still can see plenty of growth without having to depend on replacement sales. With only a 12% saturation of American homes, they have a large untapped market.

LIKE FATHER, LIKE SON

The difference between what children want and what they ought to have is usually drastic.

When he is hardly out of diapers, Junior may ask for a razor so that he can shave along with his father—but he's not likely to get it. And Sis may want to wear lipstick to kindergarten, but the chances are no one will let her.

It's up to the grown-ups not only to keep children away from the things that are bad for them but also to try to supply the things that are good for them—such as a nest egg, a rainy-day fund, a provision for the future in the form of good common stocks. Stocks always have a market value, of course, and they also offer the probability of dividends and the prospect of growth as well. In short, the perfect gift for any occasion.

There's no use pretending that a six-year-old will like such a gift when he's six, even if your generosity extends to 100 shares of IBM. But there will come a time when he will be more than grateful for your forethought in making him part owner of some great American company.

New legislation has made securities gifts to minors easy to arrange in most states. For information and help in selecting appropriate stocks—one share or a hundred—visit your nearest Merrill Lynch office.

Published by
MERRILL LYNCH, PIERCE, FENNER & SMITH
INCORPORATED
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Accepted as controlled
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